

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 11/28/2014

GAIN Report Number: ID1445

Indonesia

Cotton and Products Update

Indonesia Cotton and Products Update 2014

Approved By:

Ali Abdi

Prepared By:

Thom Wright, Sugiarti

Meylinah

Report Highlights:

Favorable cotton prices relative to synthetic fibers prices, coupled with the expansion of large mills, have led to higher imports and consumption of cotton. Based on import realization, Post revised MY 2012/13 Indonesian cotton imports to 3 million bales from the previous estimate of 2.6 million bales. MY 2013/14 Indonesian imports of cotton are estimated to remain at 3 million bales, and MY2014/15 are forecast to reach 3.1 million bales. The depreciated rupiah supports textile and yarn exports.

Post:
Jakarta

Executive Summary:

The weakening of the rupiah since July 2013 has created Indonesian textile export opportunities. The trend is expected to continue to CY2014. The Indonesian Textile Association (API, *Asosiasi Pertekstilan Indonesia*) reported that for the period of January to April 2014, Indonesian textile exports have increased by 1.8 percent to \$4.3 trillion, compared to the same period of January to April 2013 of \$4.2 trillion. This includes a cotton yarn export increase from 51,000 metric tons (MT) for the period of January to May 2014, compared to the same period of last year of 43,000 MT. China, Japan, and South Korea have been the major destinations for Indonesian cotton yarn exports.

Consumption

The Indonesian spinning mill sector produces spun yarn and sewing thread. The sector is expanding, having grown from 234 companies in CY 2011 to 251 in 2012, with total install capacity growing from 3.045 million metric tons (MMT) of yarn to 3.094 MMT. In CY 2012, Indonesian spinning mills ran at about 70 to 80 percent capacity, with a total of 10.8 million spindles and 175,513 rotors, compared to 10.2 million spindles and 175,113 rotors in CY 2011. Indonesia's Ministry of Industry reports that the spinning industry consumes approximately 1.2 MMT of fiber as raw material annually, consisting of cotton (45 percent), synthetic fiber (45 percent), and rayon (10 percent). Indonesia exports approximately 30 percent of its yarn production.

A gradual increase in electricity tariffs since May 2014 has increased synthetic fiber production costs, pushing up synthetic yarn and thread prices. Simultaneously, Chinese cotton production policy changes and higher international cotton supplies have helped drive cotton prices down, while cotton yarn prices remain high relative to synthetic yarn. As a result of these factors, Indonesian spinners have switched from synthetic fibers to cotton.

Due to favorable cotton prices and supplies, Post revises the MY 2013/14 Indonesian cotton consumption estimate from 2.652 million bales to 3.05 million bales. Post also revises MY 2012/13 Indonesian cotton consumption from 2.6 to 3.03 million bales, based on revised data submitted by exporters. Relatively higher margins from cotton yarn production and expected decrease in international cotton prices throughout the last semester of CY 2014 will increase MY 2014/15 Indonesian cotton consumption to 3.103 million bales.

Stocks

Despite declining cotton prices, rising storage costs prevent Indonesian spinners from maintaining large inventories. As a result, spinners prefer to source raw materials on an as-needed basis. Therefore, Post's MY 2013/14 Indonesian ending stock estimate is revised down to 448,000 bales from 474,000 bales. Post's MY 2014/15 cotton ending stock estimate is expected to increase slightly to 467,000 bales, tracking with expected higher imports and consumption.

Marketing

Cotton imports are increasing, based on competitive cotton prices. While some small spinning mills are still suffering from high price contracts in 2011 that led to tight cash flows and the shut downs of some small spinning mills, production losses from these closures were offset by the expansion of larger, export-oriented manufacturers with stronger cash flows. Unlike smaller mills using 20 year old technology, these larger mills are using newer, efficient cotton spinning technology.

There is strong demand for Indonesian textile products in the Indonesian market, although local textile manufacturers face strong competition from lower-priced imports. Stagnant textile exports to the United States are offset by rising demand from Japan, Europe, and neighboring ASEAN countries during the first quarter of CY 2014.

Based on the above-mentioned situation as well as import data, Post revises MY 2012/13 and MY 2013/14 Indonesian cotton imports to 3 million bales compared to the previous estimate of 2.6 million bales and 2.65 million bales respectively. Assuming higher cotton supplies will decrease prices, and an improving world economy will increase demand for Indonesian textiles, Post forecasts MY 2014/15 Indonesian cotton imports to further increase to 3.1 million bales.

MY 2013/14 cotton exports to Indonesia were led by the United States (31 percent), followed by Brazil (24 percent), and Australia (16 percent). Despite quality issues, Indian, Brazilian, and African cotton are considered adequate by Indonesian industry standards. Indonesia exported its yarn to China (67 percent), Japan (14 percent), South Korea (4 percent), and Bangladesh (3 percent) during CY 2013.

Policy

The Indonesian Ministry of Trade implanted a safeguard duty on cotton yarn (other than sewing thread) on May 28, 2014. The safeguard duties are being implemented as follows:

No.	Period	Safeguard Duty
1.	First year: June 6, 2014 – June 5, 2015	Rp. 28,065/kg
2.	Second year: June 6, 2015 – June 5, 2016	Rp. 25,522/kg
3.	Third year: June 6, 2016 – June 5, 2017	Rp. 22,979/kg

The safeguard duty is imposed on imports of cotton yarn other than sewing thread from all origins except:

No.	Country	No.	Country	No.	Country
1.	Albania	41.	Ghana	81.	Peru
2.	Angola	42.	Grenade	82.	Philippines
3.	Antigua and Barbuda	43.	Guatemala	83.	Qatar
4.	Argentina	44.	Guinea Bissau	84.	Romania
5.	Armenia	45.	Guyana	85.	Rwanda
6.	Bahrain	46.	Guinea	86.	Saint Kitts and Navis
7.	Bangladesh	47.	Haiti	87.	Saint Lucia
8.	Barbados	48.	Honduras	88.	Saint Vincent & the Grenadines

9.	Belize	49.	Jamaica	89.	Samoa
10.	Benin	50.	Jordan	90.	Saudi Arabia
11.	Bolivia	51.	Kenya	91.	Senegal
12.	Botswana	52.	Kuwait	92.	Sierra Leone
13.	Brazil	53.	Kyrgyz Republic	93.	Solomon Islands
14.	Brunei Darussalam	54.	Laos People Dem. Rep	94.	South Africa
15.	Bulgaria	55.	Lesotho	95.	Sri Lanka
16.	Burkina Faso	56.	Lithuania	96.	Suriname
17.	Burundi	57.	Macao	97.	Swaziland
18.	Cambodia	58.	Madagascar	98.	Tanzania
19.	Cameroon	59.	Malawi	99.	The former Yugoslavia Rep. of Macedonia
20.	Cape Verde	60.	Malaysia	100.	Togo
21.	Central African Rep.	61.	Maldives	101.	Tonga
22.	Chad	62.	Mali	102.	Trinidad and Tobago
23.	Chile	63.	Mauritania	103.	Tunisia
24.	Columbia	64.	Mauritius	104.	Turkey
25.	Congo	65.	Mexico	105.	Uganda
26.	Costa Rica	66.	Moldova Rep. of	106.	Ukraine
27.	Cote d'Ivoire	67.	Mongolia	107.	United Arab Emirates
28.	Croatia	68.	Morocco	108.	Uruguay
29.	Cuba	69.	Mozambique	109.	Vanuatu
30.	Dem. Rep. of Congo	70.	Myanmar	110.	Venezuela, Bolivarian Rep. of
31.	Djibouti	71.	Namibia	111.	Zambia
32.	Dominica	72.	Nepal	112.	Zimbabwe
33.	Dominican Rep.	73.	Nicaragua		
34.	Equador	74.	Niger		
35.	Egypt	75.	Nigeria		
36.	El Salvador	76.	Oman		
37.	Fiji	77.	Pakistan		
38.	Gabon	78.	Panama		
39.	Gambia	79.	Papua New Guinea		
40.	Georgia	80.	Paraguay		

The safeguard duty is in the form of duty for:

- a. Most Favored Nation (MFN) Tariff
- b. Common Effective Preferential Tariff (CEPT) based on currently existing international trade agreements, if imports are from countries and complied with the regulation under the international trade agreements.

I. Statistical Tables

TABLE 1. PSD COTTON (HS CODE 5201) IN BALES

Cotton	Indonesia	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		0	0	0	0	0	0
Area Harvested		10	10	9	9	9	9
Beginning Stocks		479	479	504	477	474	448
Production		30	30	25	25	25	25
Imports		2,600	3,000	2,650	3,000	2,875	3,100
MY Imports from U.S.		0	533	0	700	0	0
Total Supply		3,109	3,509	3,179	3,502	3,374	3,573
Exports		5	2	5	2	5	3
Use		2,550	2,980	2,650	3,000	2,750	3,050
Loss		50	50	50	52	50	53
Total Dom. Cons.		2,600	3,030	2,700	3,052	2,800	3,103
Ending Stocks		504	477	474	448	569	467
Total Distribution		3,109	3,509	3,179	3,502	3,374	3,573
Stock to Use %		20	16	18	15	21	15
Yield		653.	653.	605.	605.	605.	605.

Note: last column of each marketing year is not official USDA data.

TABLE 2. PSD COTTON (HS CODE 5201) IN MT

Cotton	Indonesia	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	0	0	0	0	0	0
Area Harvested	10	10	9	9	0	9
Beginning Stocks	104,291	104,291	109,734	103,855	103,202	97,541
Production	6,532	6,532	5,443	5,443	5,443	5,443
Imports	566,089	653,179	576,975	653,179	625,963	674,952
MY Imports from U.S.	0	116,048	0	152,408	0	0
Total Supply	676,911	764,002	692,152	762,478	734,609	777,936
Exports	1,089	435	1,089	435	1,089	653
Use	555,202	648,825	576,975	653,179	598,748	664,066
Loss	10,886	10,886	10,886	11,322	10,886	11,539
Total Dom. Cons.	566,089	659,711	587,861	664,501	609,634	675,605
Ending Stocks	109,734	103,855	103,202	97,541	123,886	101,678
Total Distribution	676,911	764,002	692,152	762,478	734,609	777,936
Stock to Use %	20	16	18	15	21	15
Yield	142,175	142,175	131,724	131,724	131,724	131,724

Note: Last column of each Marketing Year is not official USDA data.

TRADE MATRIXES

TABLE 3. COTTON IMPORT TRADE MATRIX (MY 2013 - 2014)

Country Indonesia

Commodity	Cotton		
Time Period	Aug - Jul	Units:	1,000 MT
Imports for:	2012/13	Imports for:	2013/14
U.S.	116	U.S.	152
Others		Others	
Brazil	152	Brazil	115
Australia	111	Australia	79
Malaysia	38	India	56
India	29	Cote d'Ivoire	34
Greece	23	Greece	16
Cote d'Ivoire	22	Pakistan	15
Pakistan	15	Argentina	12
Argentina	11	Malaysia	7
Nigeria	11	Spain	6
Paraguay	6	Paraguay	1
Mexico	3	Senegal	1
Spain	3		
Total for Others	424	Total for Others	342
Others not Listed	113	Others not Listed	165
Grand Total	653	Grand Total	659

Note: MY 2013/14 only for the period of Aug – Nov 2013.

Source: Global Trade Atlas.

TABLE 4. COTTON EXPORT TRADE MATRIX (MY 2013 – 2014)

Country	Indonesia		
Commodity	Cotton, HS Code 5201		
Time Period	Aug-Jul	Units:	MT

Exports for:	2012/13		2013/14
U.S.	0	U.S.	0
Others		Others	
Japan	406	Vietnam	173
Thailand	743	Sri Lanka	148
India	6	Taiwan	132
Total for Others	1155		453
Others not Listed	8		0
Grand Total	1163		453

Note: for 2013/14 only for the period of Aug 2013 - May 2014

Source: Global Trade Statistics.

TABLE 5. COTTON YARN IMPORT TRADE MATRIX (CY 2013 – 2014)

Country	Indonesia		
Commodity	Yarn		
Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2013		2014
U.S.	0	U.S.	0
Others		Others	
India	8	India	5
South Korea	4	South Korea	3
China	4	China	2
Hong Kong	1	Hong Kong	1
Total for Others	17	Total for Others	11
Others not Listed	1	Others not Listed	0
Grand Total	18	Grand Total	11

Note: For 2014 only until Jan – Jul 2014

Source: Global Trade Atlas.

TABLE 6. COTTON YARN EXPORT TRADE MATRIX (CY 2013 – 2014)

Country	Indonesia		
Commodity	Yarn		
Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2013		2014
U.S.	2		1
Others		Others	

China	99	China	29
Japan	20	Japan	9
South Korea	6	South Korea	3
Bangladesh	4	Hong Kong	2
Turkey	3	Bangladesh	2
Hong Kong	3	Colombia	1
Taiwan	1	Malaysia	1
Germany	1		
Total for Others	137	Total for Others	47
Others not Listed	9	Others not Listed	3
Grand Total	148	Grand Total	51

Note: For CY 2014 only until July 2014.

Source: Global Trade Atlas.

TABLE 7. COTTON FABRIC IMPORT TRADE MATRIX (CY 2013 - 2014)

Country	Indonesia		
Commodity	Fabric		
Units:	1,000 MT	Units:	
Time Period	Jan-Dec	Time Period	Jan - Jul
Exports for:	2013	Exports for:	2014
U.S.	0	U.S.	1
Others		Others	

China	37	China	87
Korea, Rep. of	12	Korea, Rep. of	29
Hong Kong	12	Hong Kong	21
Taiwan	2	Japan	6
Pakistan	2	Pakistan	5
India	1	Vietnam	4
Vietnam	1	India	3
		Taiwan	3
		Malaysia	3
		Thailand	1
Total for Others	67	Total for Others	162
Others not Listed	3	Others not Listed	8
Grand Total	70	Grand Total	171

Note: For CY 2014 only until July 2014.

Source: Global Trade Atlas.

TABLE 8. COTTON FABRIC EXPORT TRADE MATRIX (CY 2013 - 2014)

Country	Indonesia	
Commodity	Fabric	
Units:	1,000 MT	
Time Period	Jan-Dec	Jan-Jul
	2013	2014
U.S.	2	5
Others		

Japan	8	Japan	21
Belgium	2	Belgium	6
Italy	2	Italy	5
Bangladesh	2	Bangladesh	2
Turkey	2	Turkey	3
Korea Rep. of	3	Korea Rep. of	4
China	1	China	5
Netherlands	1	Netherlands	2
Vietnam	1	Portugal	1
		Germany, Fed. Rep.	4
		Israel	1
		Thailand	1
		United Arab Emirates	1
		Brazil	1
		Malaysia	1
		Sri Lanka	1
		Canada	1

Total for Others	22	Total for Others	60
------------------	----	------------------	----

Others not Listed	5	Others not Listed	4
-------------------	---	-------------------	---

Grand Total	29	Grand Total	69
-------------	----	-------------	----

Note: For CY 2014 only until July 2014.

Source: Global Trade Atlas.

Note: Exchange rate is Rp. 12,179/\$ 1, as of November 7, 2014.